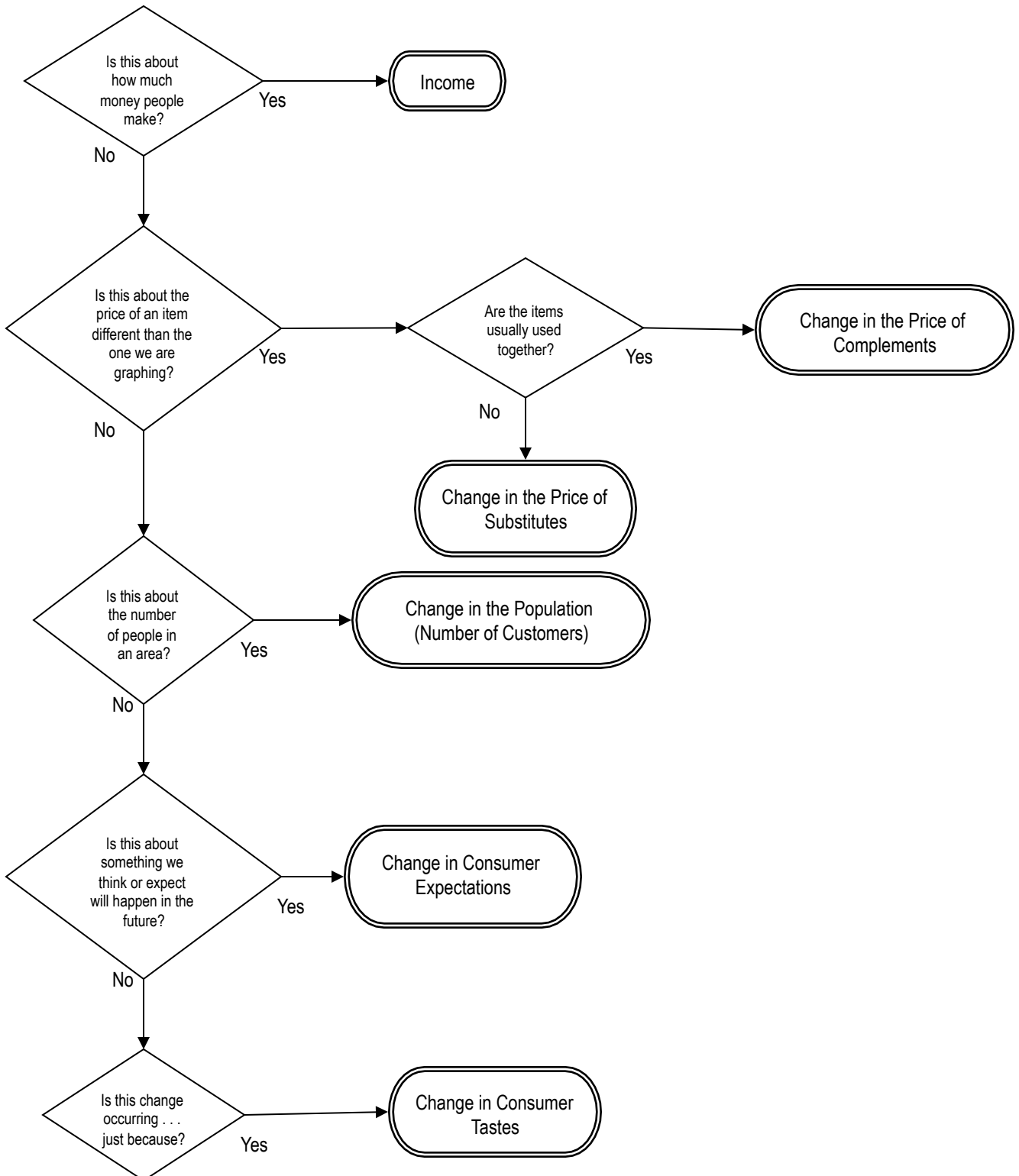# Figuring Which Determinant of Demand

Follow the flowchart below. Ask yourself the questions as you encounter them and follow the arrow to your conclusion. In most cases, once you rule out Income, Price of Related Goods, and Number of Potential Buyers, and Expectations, Tastes is the correct *determinant of demand*.

Is this about how much money people make?

— Yes → Income

No ↓

Is this about the price of an item different than the one we are graphing?

— Yes → Are the items usually used together?

    — Yes → Change in the Price of Complements

    — No ↓ → Change in the Price of Substitutes

No ↓

Is this about the number of people in an area?

— Yes → Change in the Population (Number of Customers)

No ↓

Is this about something we think or expect will happen in the future?

— Yes → Change in Consumer Expectations

No ↓

Is this change occurring . . . just because?

— Yes → Change in Consumer Tastes

Figuring Which Determinant of Supply

Follow the flowchart below. Ask yourself the questions as you encounter them and follow the arrow to your conclusion. In most cases, once you rule out "Input Prices," "Technology," "Number of Sellers," then "Expectations" is the correct *determinant of supply.* Also note, "Input Prices" deal with more than just the price of the resources themselves, it also deals with costs involved in production.

Is there a change in the price of the factors of production?

— No → **Is there a new technology or broken machinery?**
  — Yes → **Technology**
  — No ↓ (loops back)

— Yes ↓

Has the government increased taxes or given a subsidy payment?

— No → **Has the government forced the company to change the way they produce the item?**
  — Yes → **Change in Government Policies**
  — No ↓

— Yes ↓ → **Change in Taxes or Subsidies**

Are the workers happier or angrier with their job or has the firm spent money on improving their workers?

— Yes → **Productivity**
— No ↓

Is this about something we think or expect will happen in the future?

— Yes → **Change in Producer Expectations**
— No ↓

Is this about a similar good?

— Yes → **Price of Substitute (Other Goods)**
— No ↓

Is this about the number of firms that will sell the product?

— No → **Change in the Cost of Resources**
— Yes ↓ → **Change in the Number of Sellers (or Producers)**